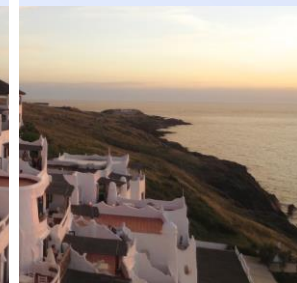
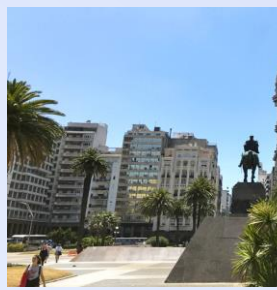




Uruguay

Institutional Presentation

Debt Management Unit, Ministry of Economy and Finance
February 2019





1 Key Highlights of the Uruguayan Economy

2 Recent Developments and Policy Priorities

3 Medium Term Prospects

Key Highlights of the Uruguayan Economy



**Sustained growth and
macroeconomic stability
in a volatile regional
environment**

**Solid medium-term
prospects on large-scale
investment and
infrastructure projects**

**Strong institutional
foundations and political
stability**



**Steering inflation back
to target, in the context
of still-high financial
dollarization**

**Large international
reserves and resilient
government debt profile**

**Fiscal consolidation
efforts amid a rigid
spending profile**



1 Key Highlights of the Uruguayan Economy

2 Recent Developments and Policy Priorities

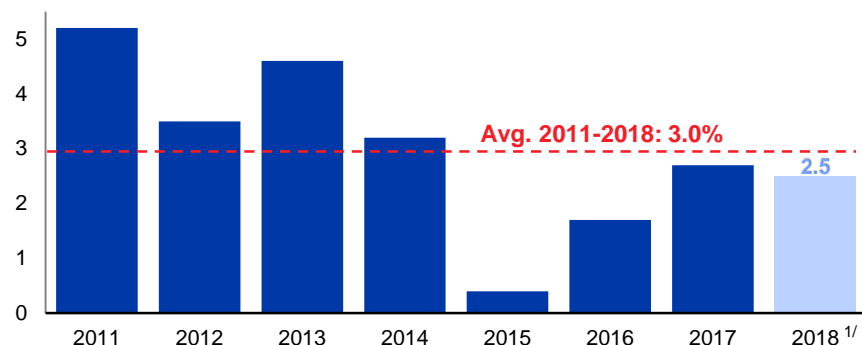
3 Medium Term Prospects

Macroeconomic stability and sustained economic growth...



Real GDP growth

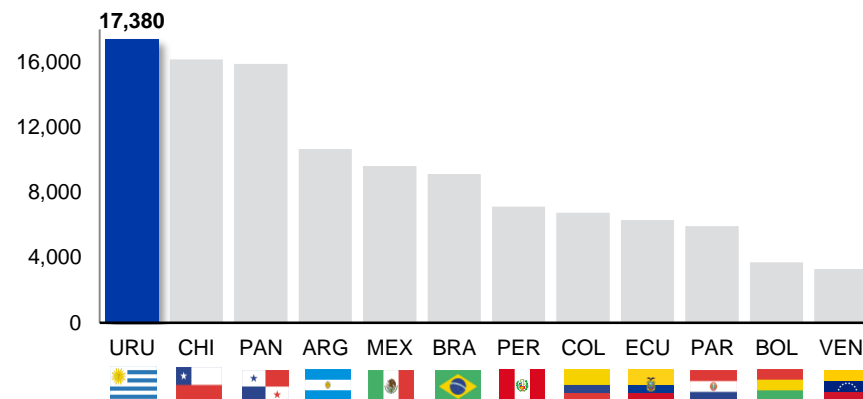
(in %)



^{1/} Projection included in the latest Annual Budget Review (June 2018)

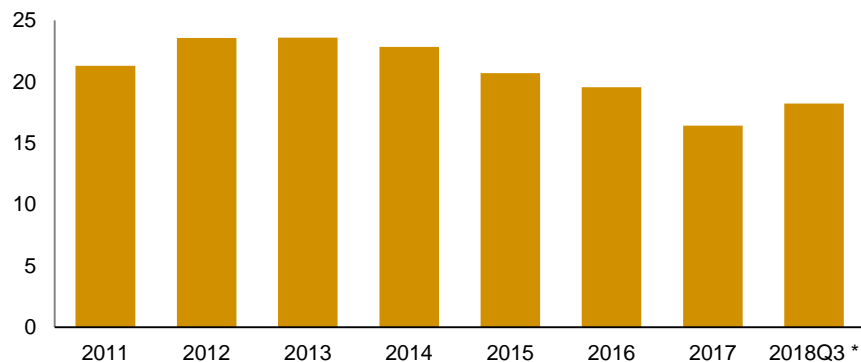
GDP per capita compared to LATAM

(2018 estimates, in current USD)



Real gross fixed capital investment

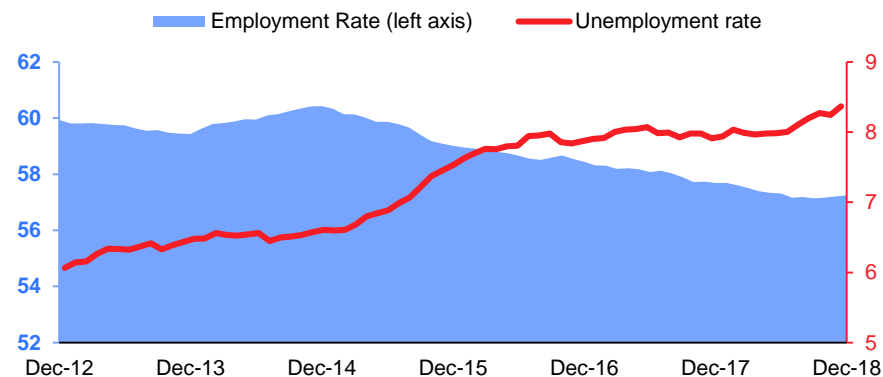
(in % of real GDP)



(*) Last 12 months

Labor market indicators

(average of last 12 months, in %)

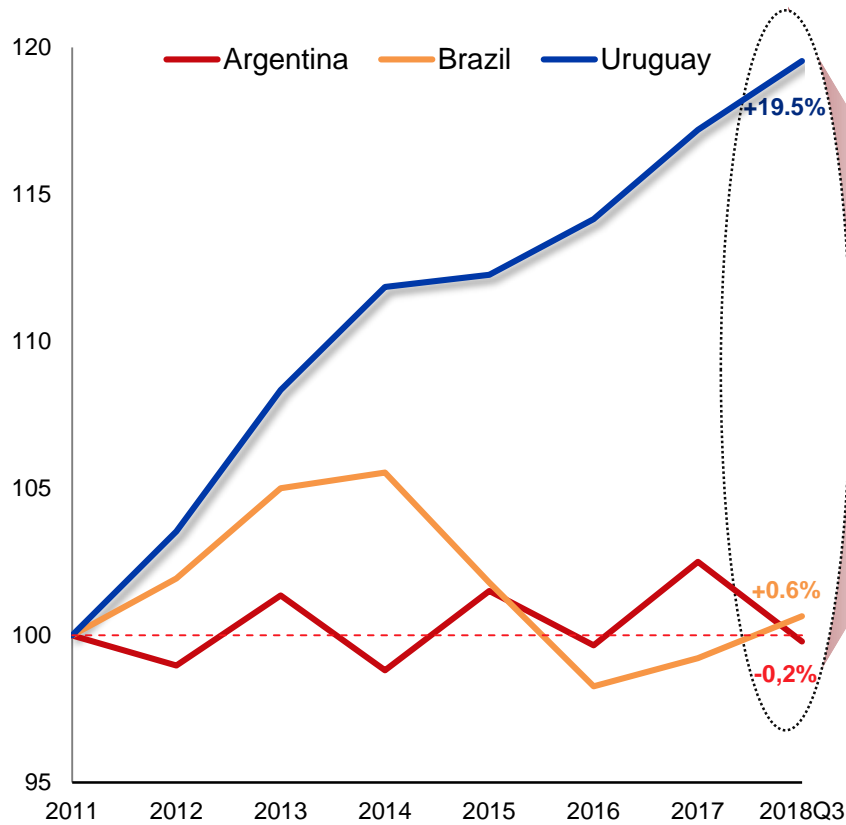


... showing resilience in the face of adverse regional instability



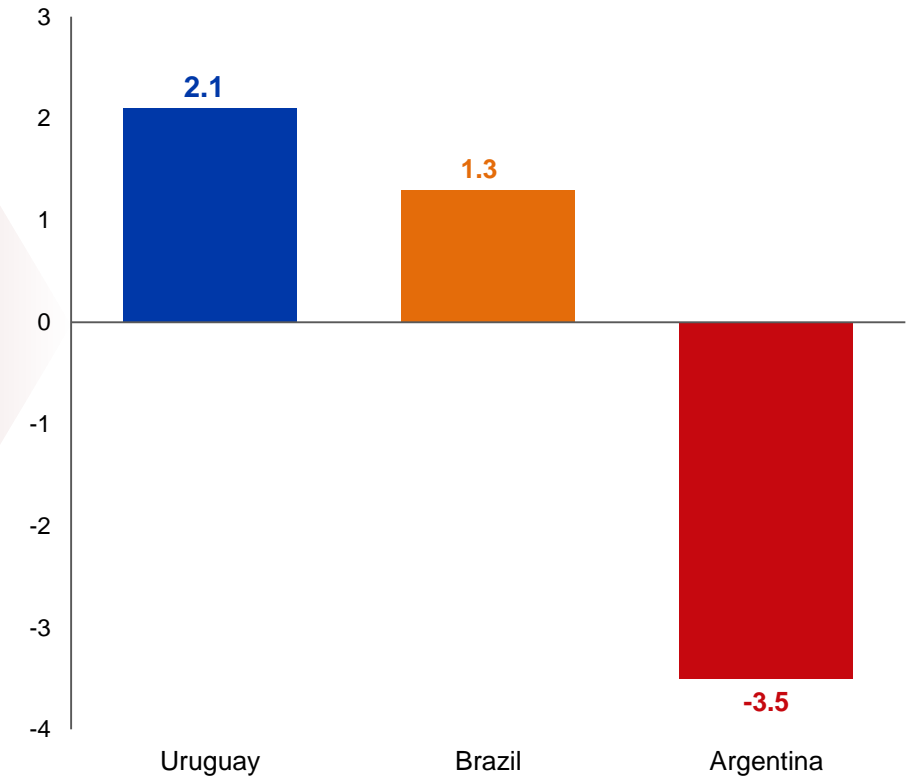
Cumulative real GDP growth

(index, Base 100=2011)



Real GDP growth in 2018Q3

(YoY change, in %)



Export market diversification and limited financial linkages with Argentina has mitigated regional exposure...



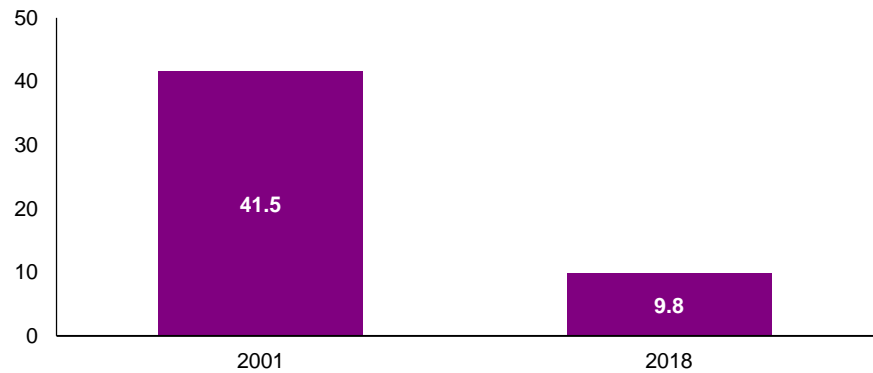
Exports of goods by destination

(as a share of total exports in each year)



Deposits by non-residents in local banking system ^{1/}

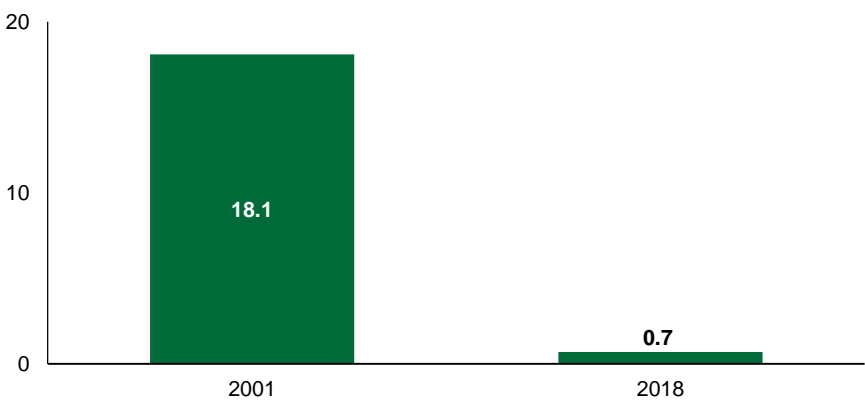
(of the private non-financial sector, % of total)



1/ Assumes all non-residents deposits are in foreign currency

Credit of local banking system to non-residents

(to the private non-financial sector, % of total)

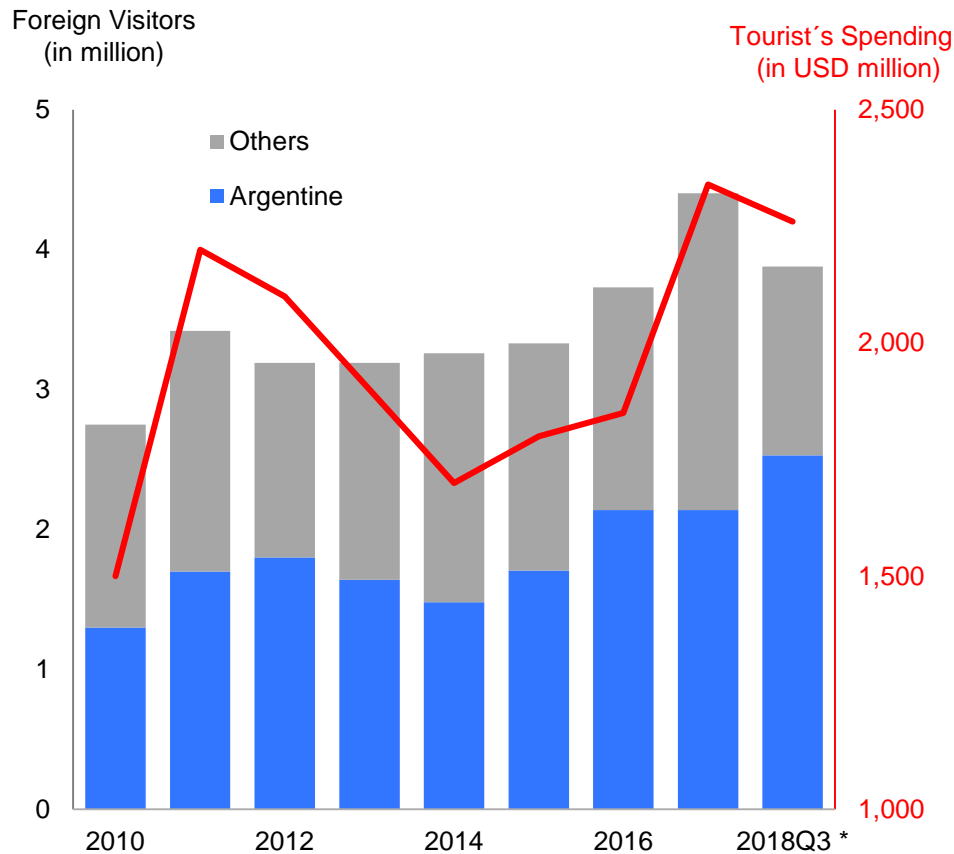


Source: Export and Investment Promotion Agency (Uruguay XXI), Central Bank of Uruguay

...yet Argentina remains the main source of inbound tourism



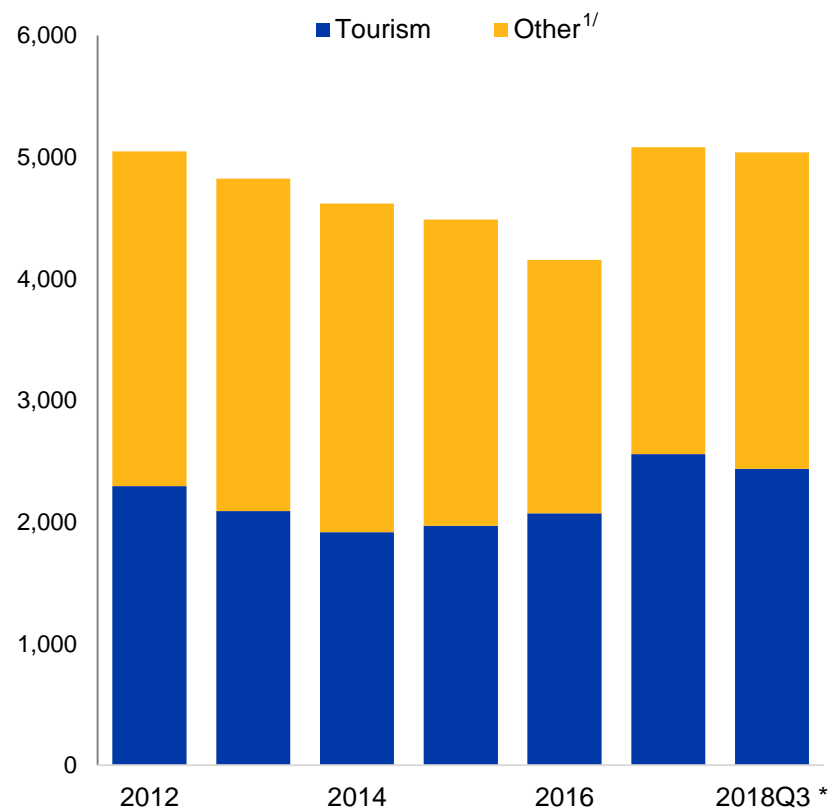
Tourist arrivals and spending



(*) Last 12 months

Exports of services

(in USD million)



^{1/} Software, transport, logistics, maintenance, financial, personal and professional and consultancy services

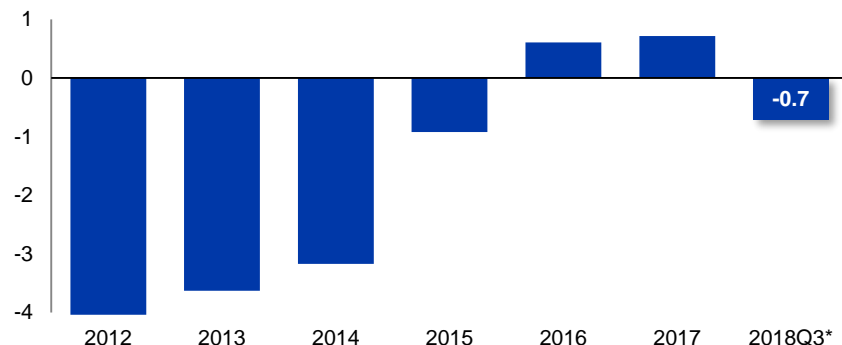
(*) Last 12 months

Small current account deficit driven by a surge in foreign direct investment earnings



Current account balance

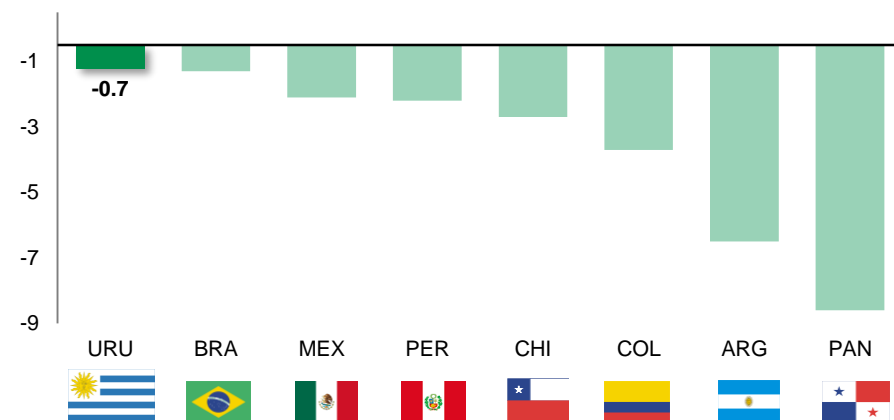
(in % of GDP)



(*) Last 12 months

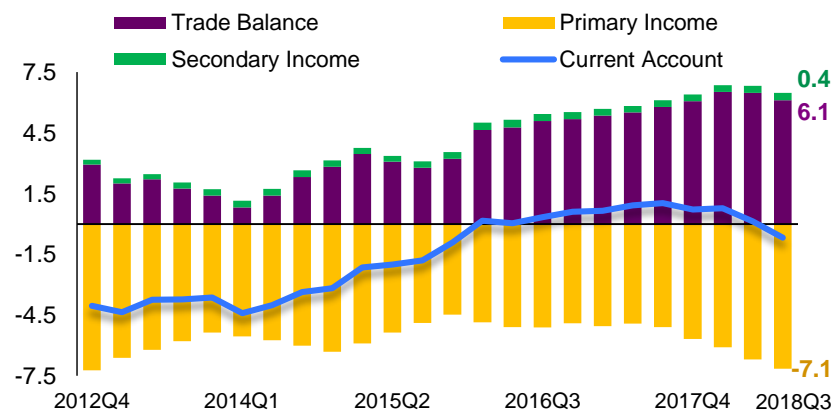
Current account balance compared to LatAm

(last 12 months to 2018Q3, in % of GDP)



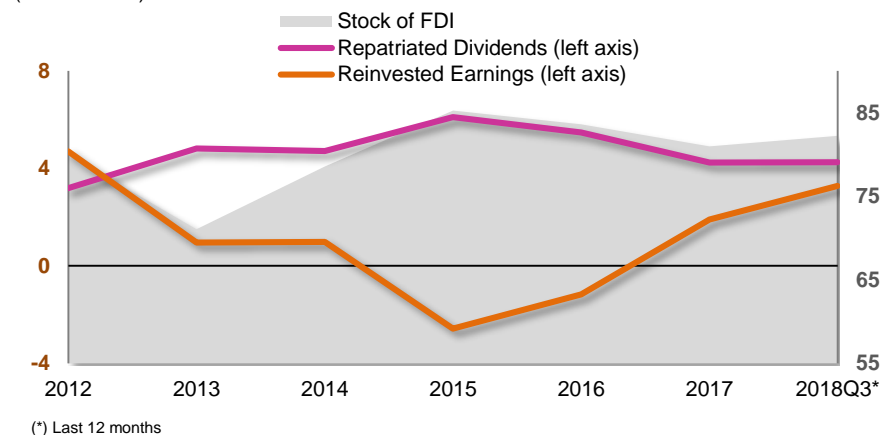
Current account components

(12-month rolling period, in % of GDP)



Stock of foreign direct investment and earnings

(in % of GDP)



(*) Last 12 months

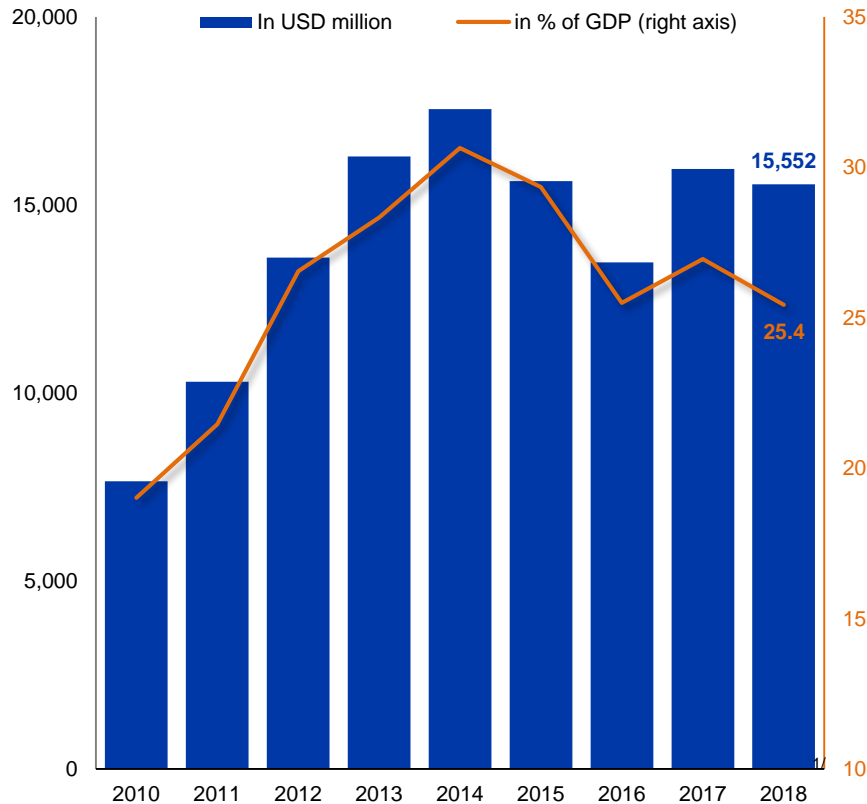
Source: Central Bank of Uruguay; Central Bank of Mexico; National Institute of Statistics and Censuses (INDEC - Argentina); Central Bank of Brazil; Banco de la República de Colombia; Central Reserve Bank of Peru; Central Bank of Chile; Contraloría General de la República de Panamá.

Ample international reserves provides sizeable external buffers



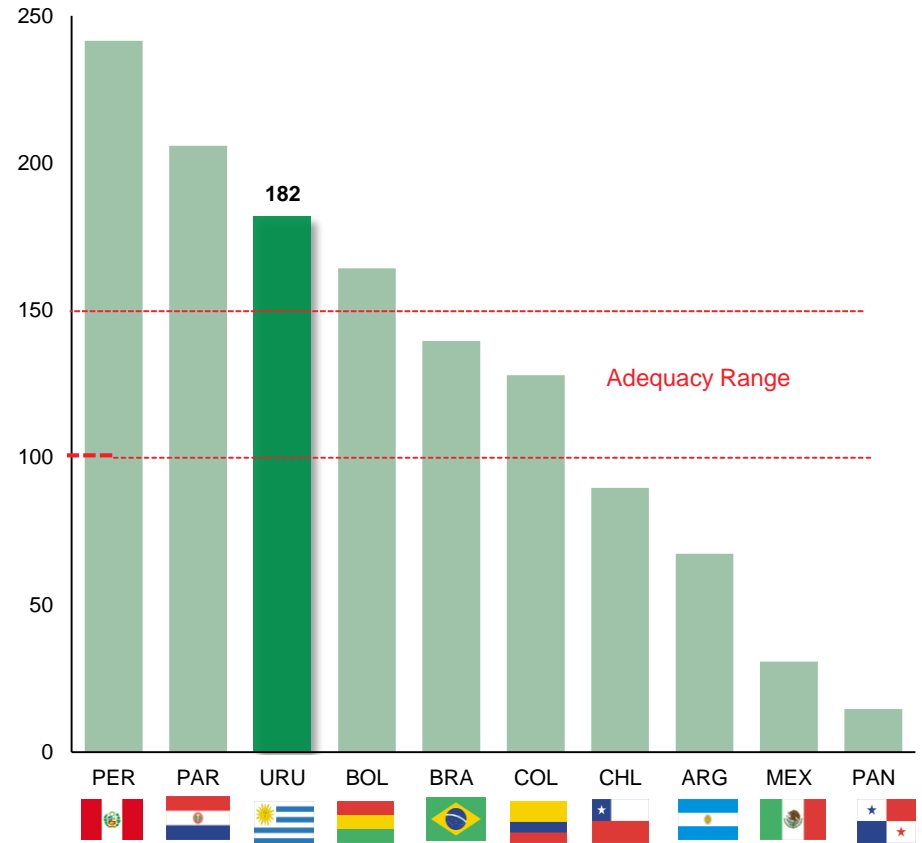
International reserves

(end-year)



Reserve adequacy compared to LatAm

(international reserves to IMF's ARA metric, as of November 2018)



Note: The Assessing Reserve Adequacy (ARA) Metric is calculated by the IMF for Emerging Markets (EM) and comprises four components reflecting potential balance of payment drains: (i) export income, (ii) broad money, (iii) short-term debt, and (iv) other liabilities. The weight for each component is based on the 10th percentile of observed outflows from EM during exchange market pressure episodes, distinguishing between fixed and flexible exchange rate regimes.

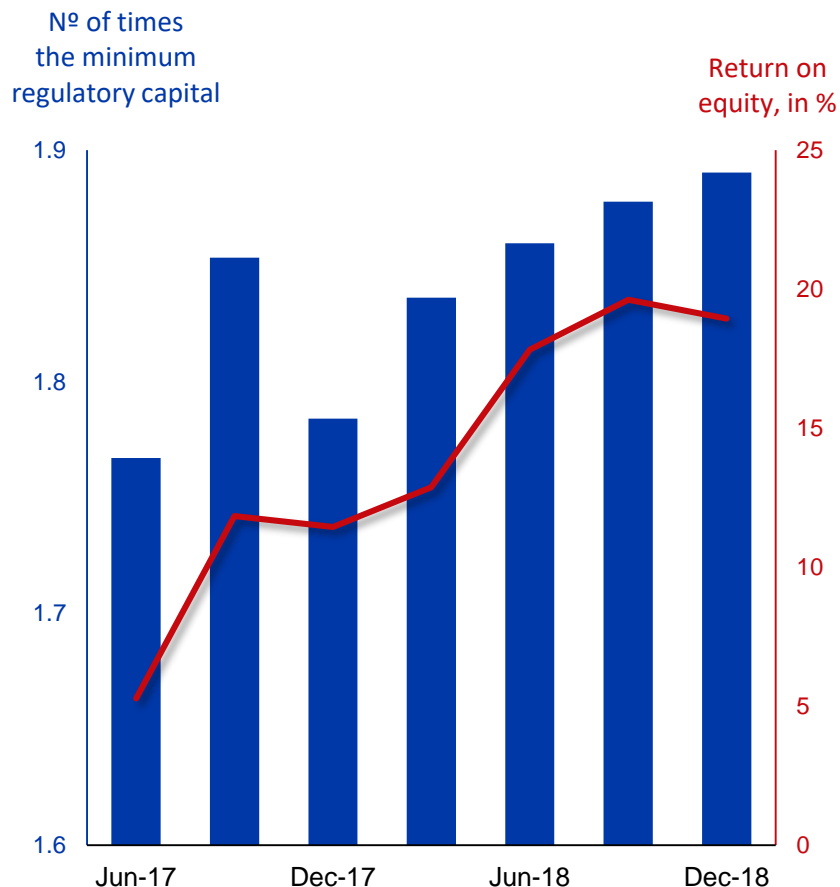
^{1/} Based on the 2018 GDP projection included in the latest Annual Budget Review (June 2018)

Source:s Central Bank of Uruguay; National Bureau of Statistic; Central Bank of México; National Institute of Statistics and Censuses (INDEC - Argentina); Central Bank of Brazil; Banco de la República de Colombia; Central Reserve Bank of Peru; Central Bank of Chile | National Bureau of Statistic & Central Bank of Uruguay | Central Bank of Uruguay Inflation Expectations Survey..

The banking system shows high profitability and capitalization, yet deposit dollarization is still elevated

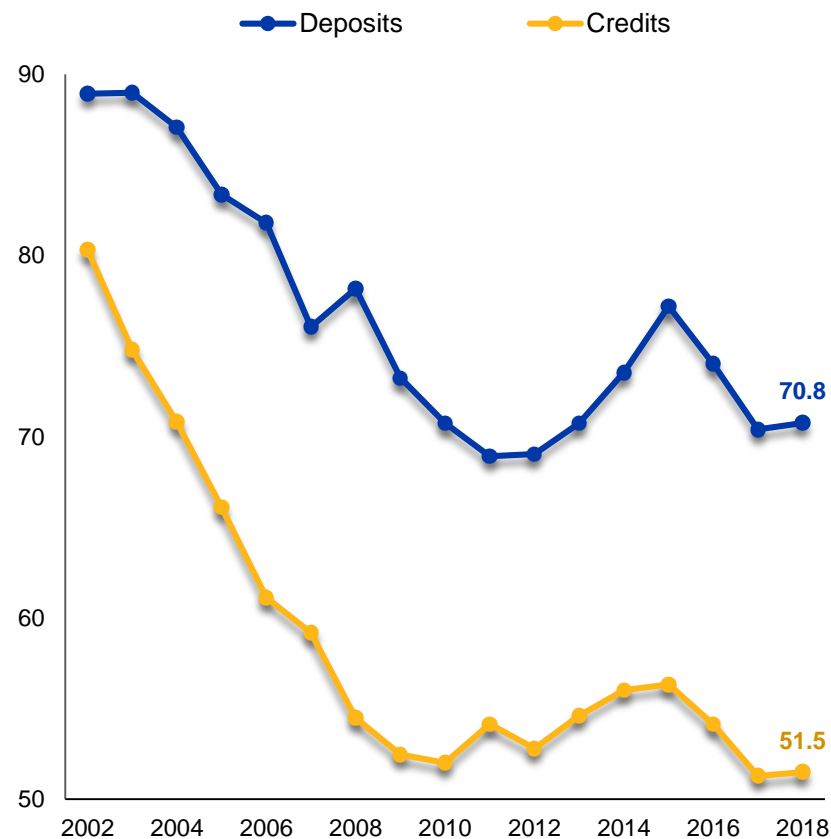


Solvency and profitability of the banking system



Dollarization of banks' deposits and credit

(private non-financial resident sector, % of total)



Uruguay remains a bastion of institutional stability in the region



Uruguay Ranking Position in LatAm & Caribbean



Political Stability

(Worldwide Governance Indicators, 2017)



Prosperity

(Legatum Institute, 2018)



Rule of Law

(World Justice Project, 2018)



Press Freedom

(Reporters Without Frontier, 2018)



Lowest Corruption Perception

(Transparency International, 2018)

23rd place worldwide



Economic Freedom

(Heritage Foundation, 2018)



Full Democracy

(The Economist Intelligence Unit, 2018)

15th place worldwide



Global Peace

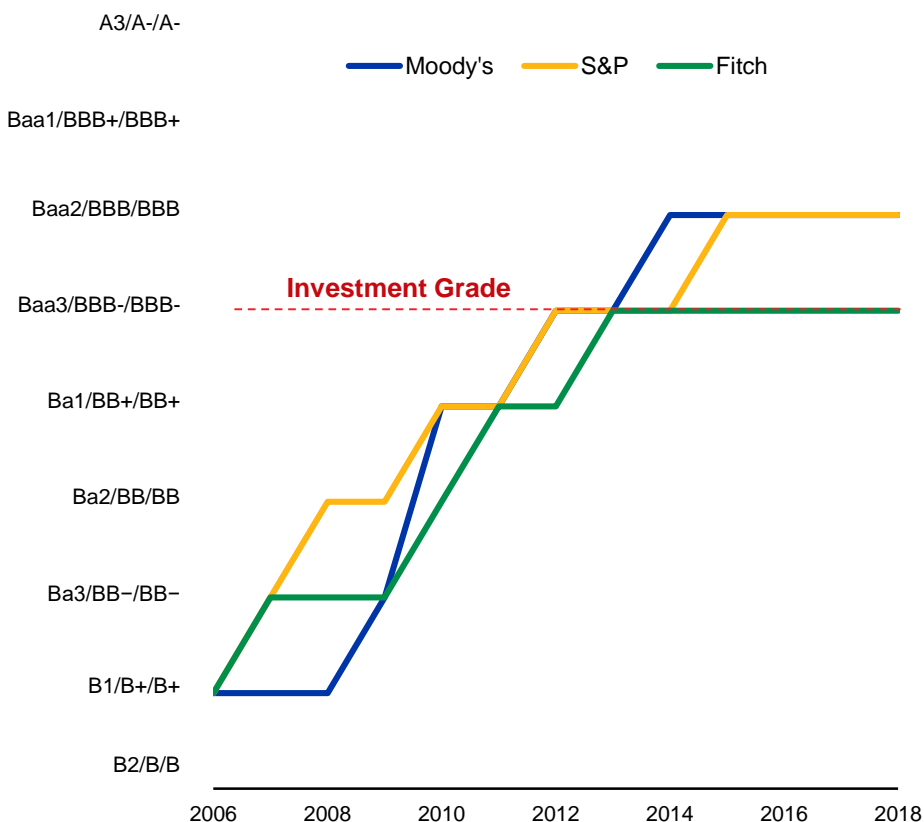
(Institute for Economics and Peace, 2018)



Uruguay's credit rating performance



Evolution of Uruguay's sovereign credit ratings



Latest credit rating actions



January 2019. Confirms Uruguay's rating at BBB (low), Stable trend.



January 2019. Uruguay's rating affirmed at BBB with Stable outlook.



October 2018. Affirmed Uruguay's rating at BBB-, revised outlook to Negative.



May 2018. Affirms Uruguay's rating at BBB with Stable outlook.



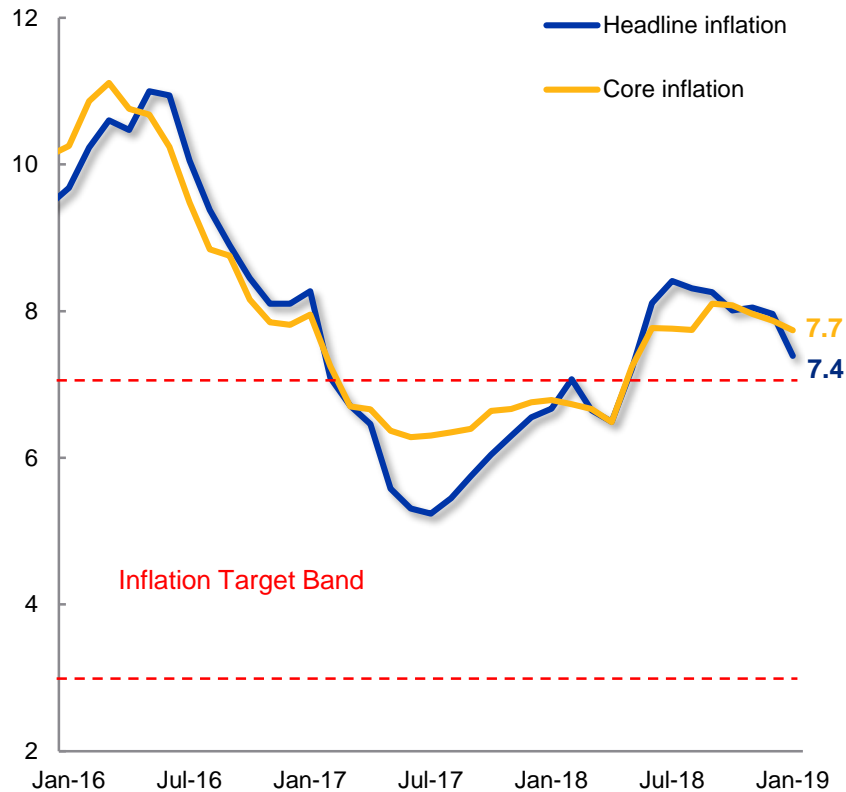
July 2017. Outlook raised to Stable from Negative and affirmed "BBB" rating.

Steering inflation back to target is a key policy priority



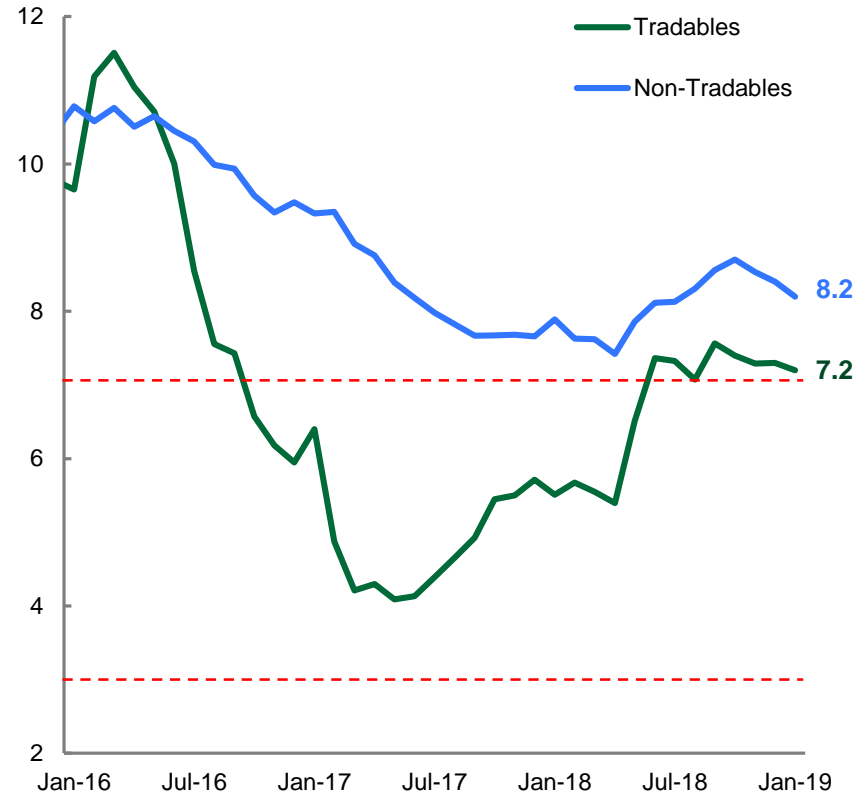
Inflation

(annual, in %)



Tradable and non-tradable inflation

(annual, in %)

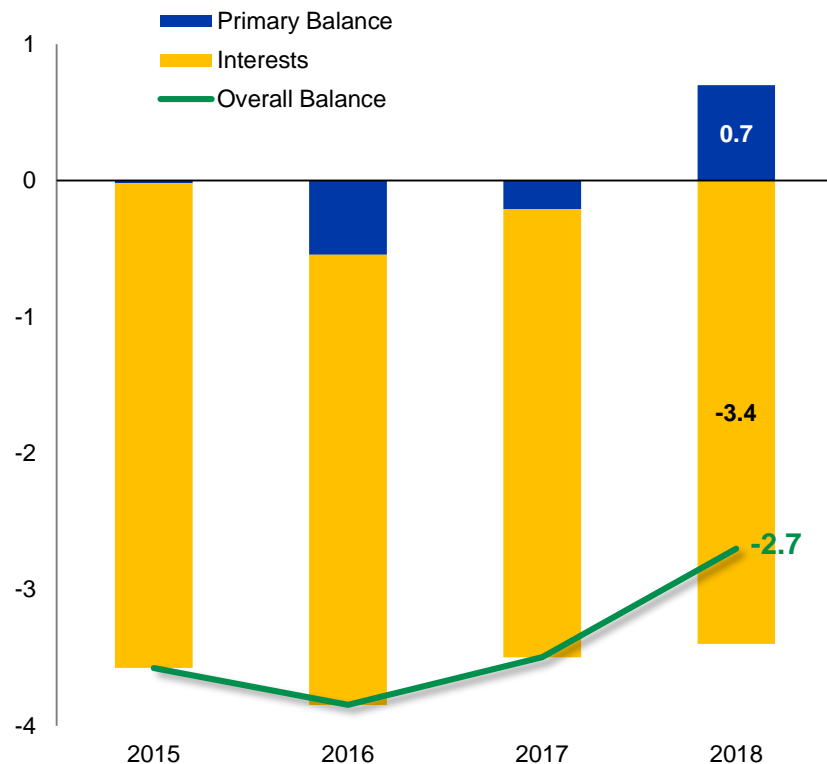


Fiscal consolidation is critical to achieve budget objectives and maintain debt sustainability



Consolidated Public Sector fiscal balance

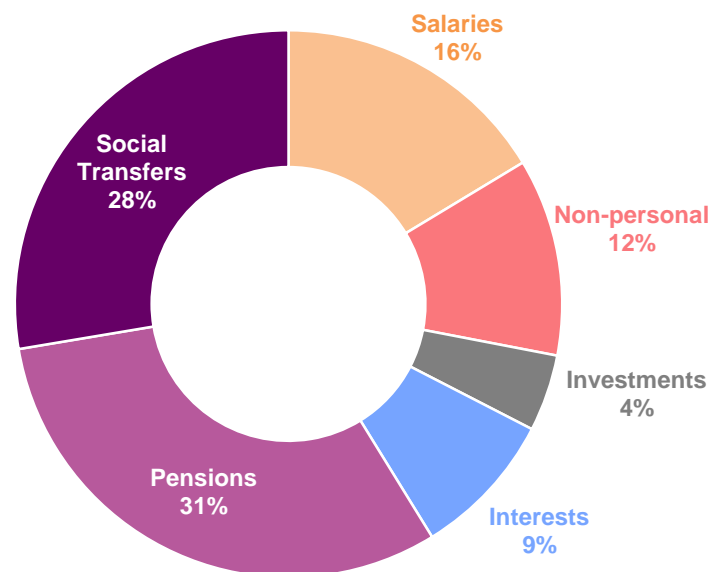
(in % of GDP)



^{1/} Includes the transfer of private funds to the public Social Security Trust, which reduced the fiscal deficit in 2018 by around 1.3% of GDP

Components of Central Government expenditures in 2018

(in % of total)



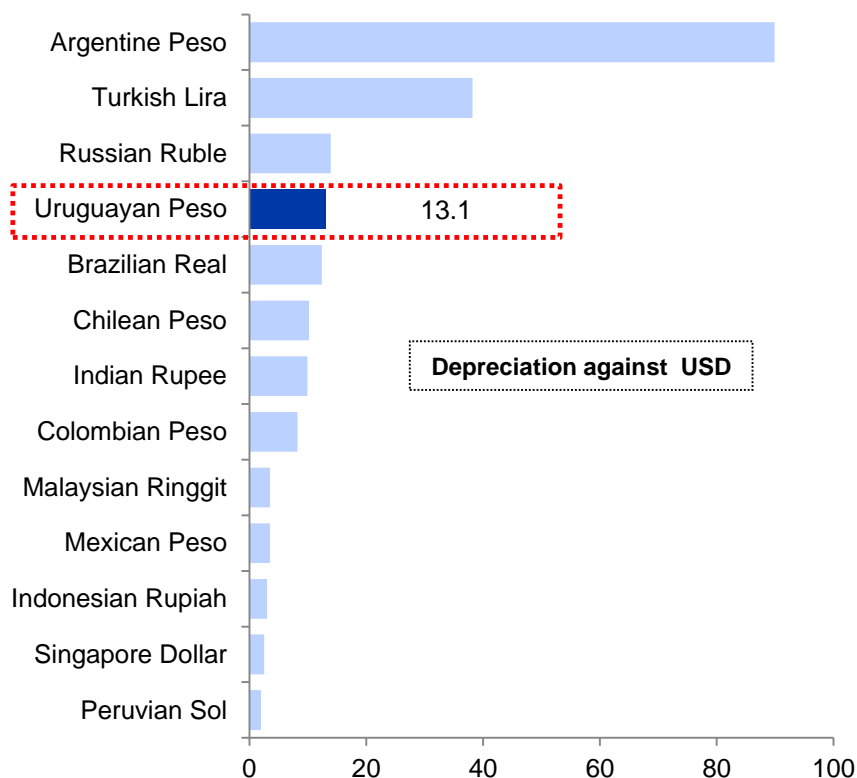
Note: Transfers includes Central Government and Social Security Bank (BPS) transfers.

Nominal exchange depreciation in line with other emerging markets



Emerging market currencies vs USD

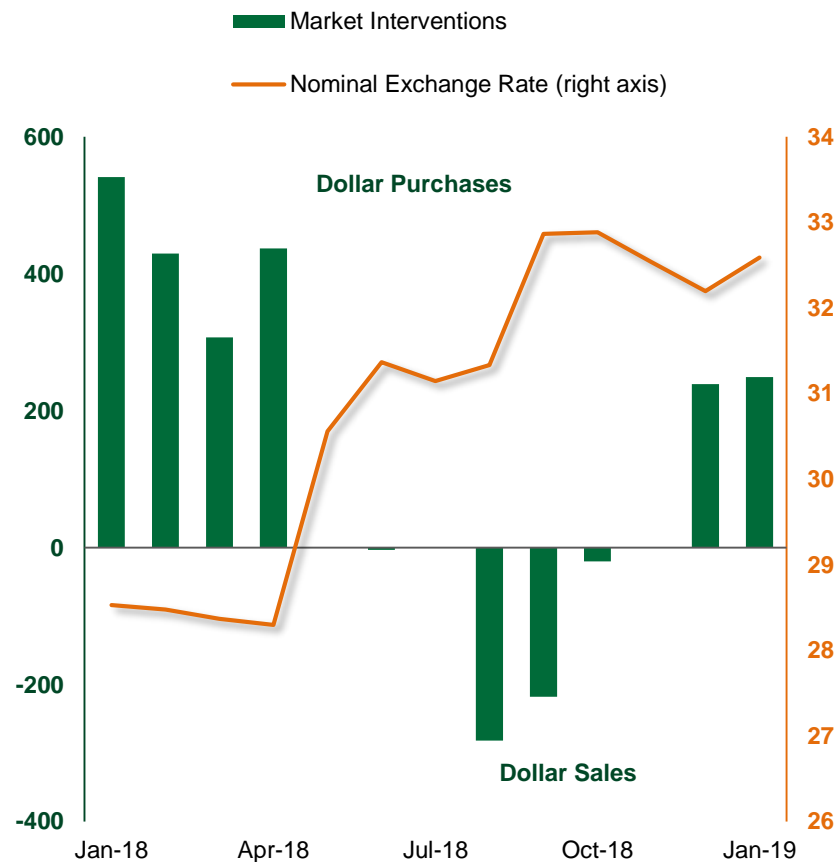
(YoY change in nominal exchange rate, in % as of 2/11/2019)



Source: Bloomberg

Central bank FX intervention

(in USD million)



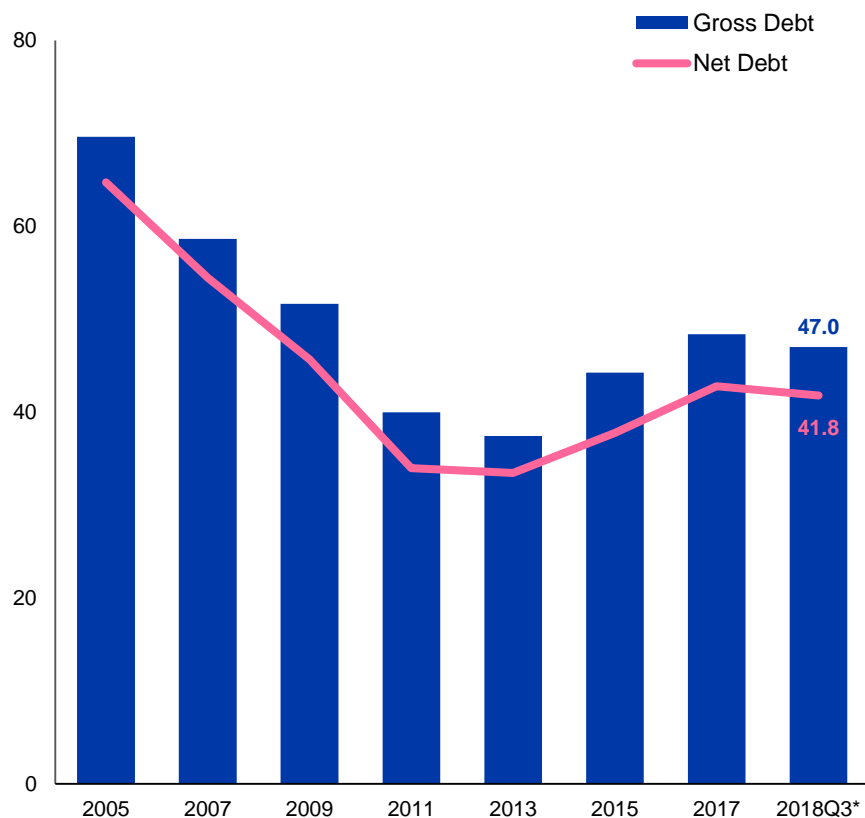
Source: Central Bank of Uruguay

Active debt management has improved the debt profile, reducing currency and maturity risks...



Central Government (CG) Debt

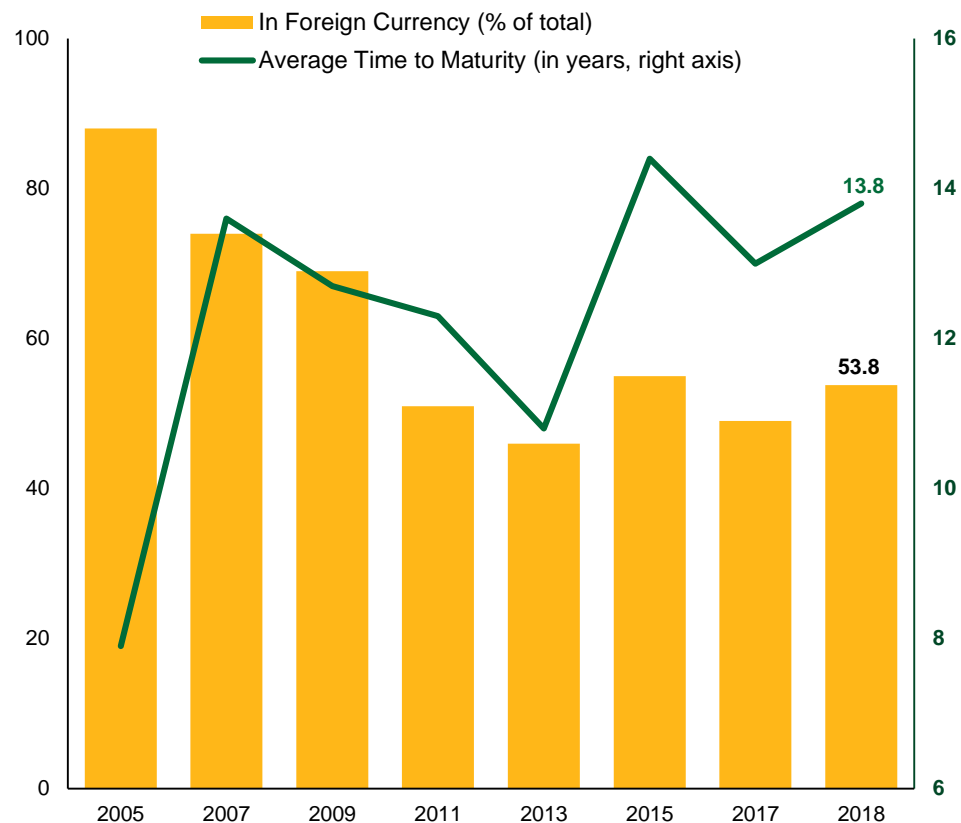
(in % of GDP, end-period)



(*) Last 12 months

Currency and Maturity Composition of CG Debt

(end-year)

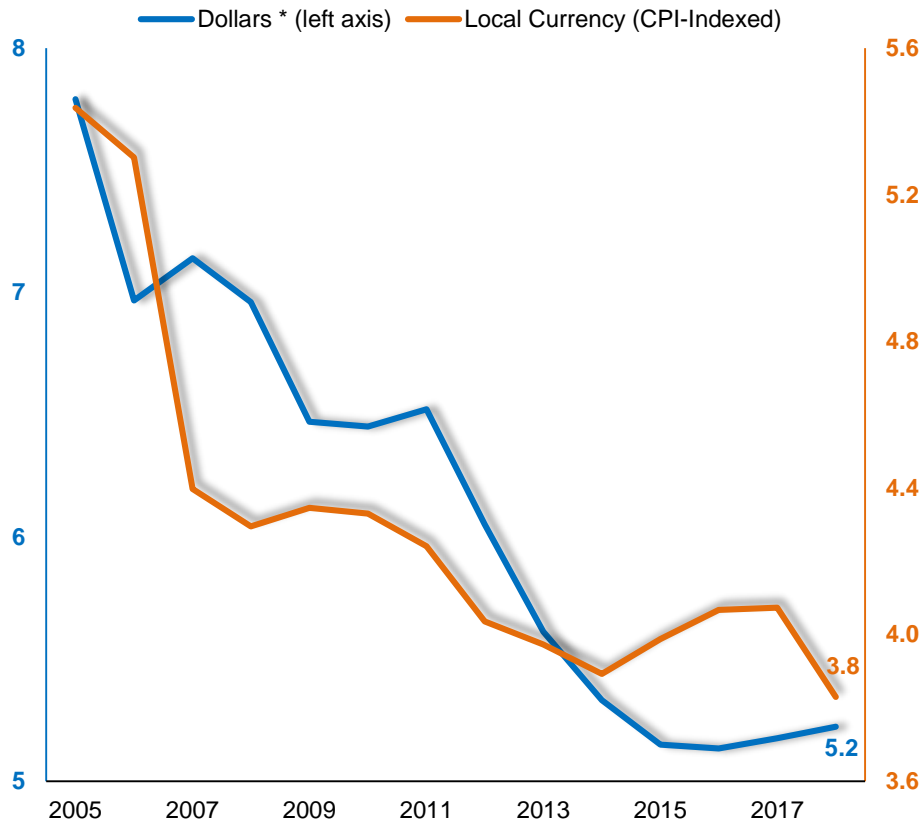




...while keeping borrowing costs subdued

Central Government (CG) cost of financing

(interest rate on outstanding debt, in % - Weighted average)

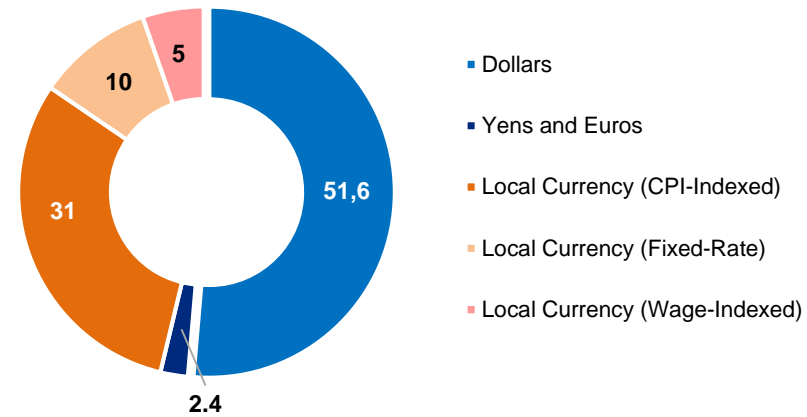


(*) Includes loans from multilaterals

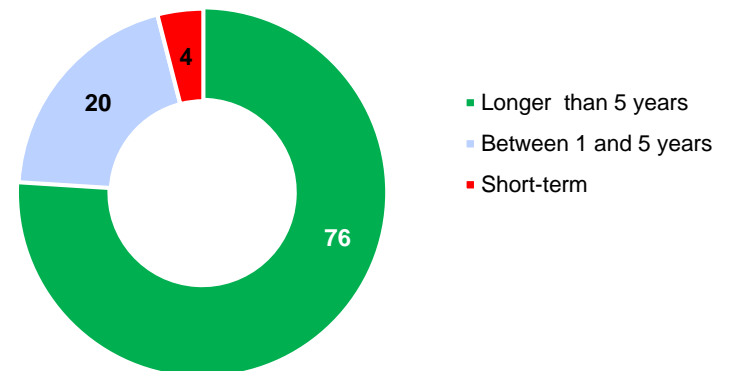
Structure of CG Debt

(As of end-December 2018, % of total)

By currency



By residual maturity

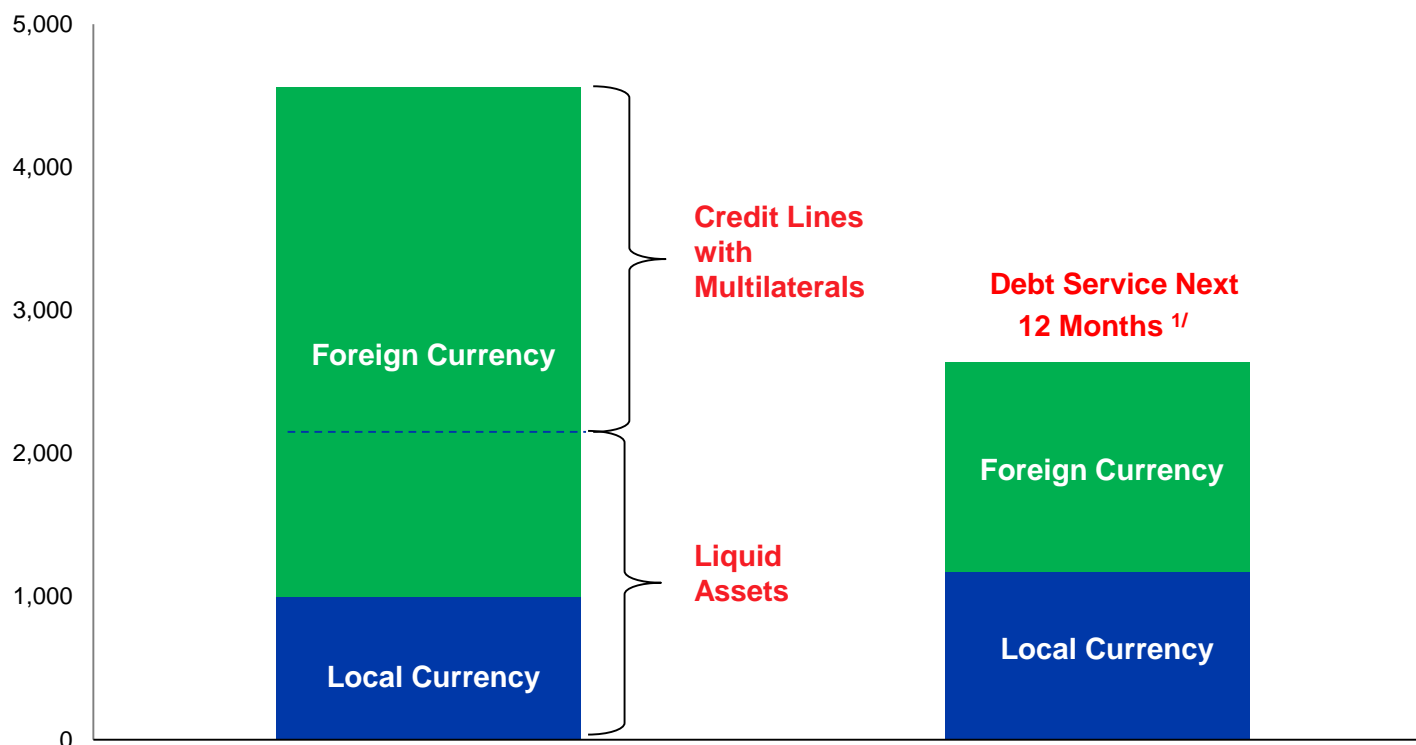


Pre-financing policy of Government provides funding flexibility in the event of external shocks



Government's Financial Buffers and Debt Service Obligations ^{1/}

(in USD million, as of December 2018 ^{2/})



^{1/} Debt Service includes amortization plus interest payments

^{2/} Liquid assets do not include funds raised in the global dollar bond issuance in January 2019

Central Government's financing plans



Flow of Funds

(in USD million)

	2018(*)	2019(*)
FINANCING NEEDS	4.128	2.947
Interest Payments	1.661	1.626
Amortizations (a)	2.177	1.536
Primary Deficit (<i>excluding transfers to Social Security Trust Fund</i>) (b)	290	-215
FUNDING SOURCES	4.128	2947
Multilateral Disbursements	414	350
Bond Issuance	3.351	2.950
Net Others	170	168
Use of Assets (c)	193	-521

47%
completed as
of February
12th

(*) Preliminary

(a) Includes repurchases and early bond redemptions for USD 736 million in 2018 and for USD 386 million in 2019.

(b) For 2019, estimates according to latest Annual Budget Review (June 2018). Negative value indicates a primary surplus of the Central Government.

(c) Positive value indicates a reduction in Central Government reserves.



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Prospect of largest-ever private investment...













Potential construction of a new pulp mill

Government has reached a MoU with Finnish company UPM for the potential construction of a new pulp mill

- Would be the **single largest investment** in Uruguay's history
- According to UPM's estimates, **the plant will require an on-site investment of €2 billion.**
- The government estimates that, if it comes to pass, the UPM Project would have a **material positive impact on GDP growth, employment and the balance of payments.**

Key features of the envisaged pulp mill investment Project

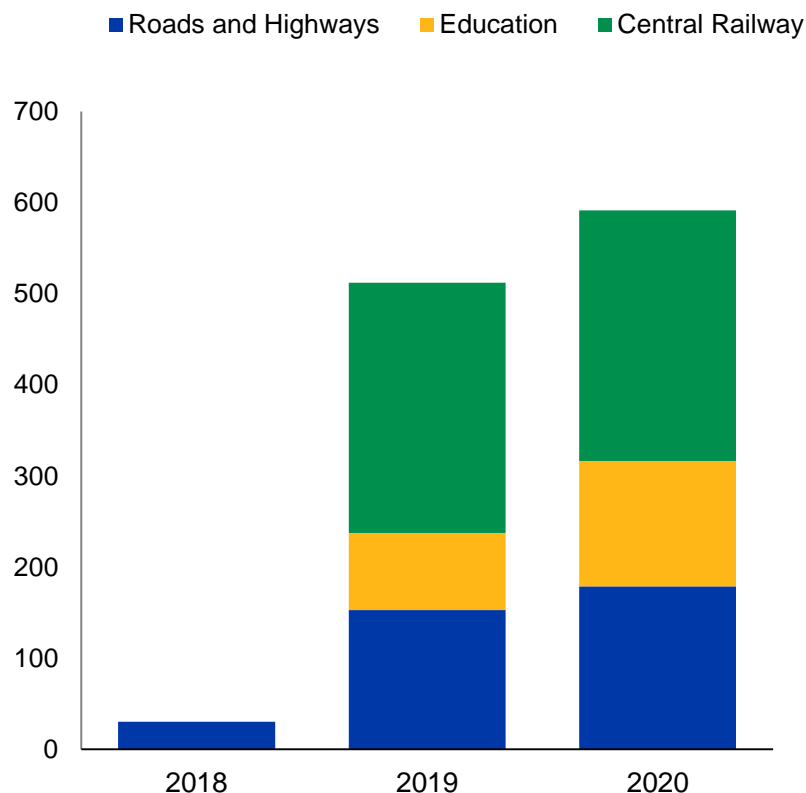
Current Operations		Potential Prospect	
Plantation base in West Uruguay		Plantation base in Central and North Eastern Uruguay	
Fray Bentos pulp mill 1.3 million Tonnes		Potential new pulp mill about 2 million tonnes, on-site investment estimate EUR 2bn	
~100 Km of river barging for outbound logistics		Railway with high technical standards	
Sea port in Nueva Palmira loading half vessels		Deep sea port in Montevideo loading full vessels	
Ocean vessels to pulp markets		Ocean vessels to pulp markets	

... and maturing pipeline of PPP infrastructure projects are foundations for medium-term economic growth



Executed PPP investment and pipeline of projects

(in USD million)



Ongoing infrastructure plans are key to establish foundations for economic growth

Central Railway Project poised to start in 2019

- New railway line in the central corridor of the country is the flagship project in the country infrastructure's program.
- Will run between the port of Montevideo and the city of Paso de los Toros, located in the centre of the country (**273 km of railways**).
- Will **strengthen its logistics platform**, with an **estimated investment of USD 825 million**.

